Amundi Investment Solutions

Capital Market Assumptions
H2 update

August 2026

Amundi Investment Institute

Asset class return forecasts

A regime of ruptures is further confirmed. In our [2026 CMA](), we identified the coming years as a period of overlapping structural ruptures — geopolitical, technological and energy-related. In this environment, inflation is stickier, fiscal deficits are wider and macroeconomic uncertainty is higher. The first half of 2026 has reinforced this view. The Iran war and the closure of the Strait of Hormuz have triggered a persistent energy shock and more entrenched inflation. Against this backdrop, AI acceleration remains the main driver of growth, broadening beyond the initial winners across sectors and regions.

Expected returns have improved in government bonds and selected equity markets. Valuations changes between 31 December 2025, the data reference for our 2026 CMA, and 30 June 2026, the reference date for this update, are the main driver of the shifts in expected returns. These have improved particularly in government bonds. Government yields have risen materially across developed markets, driven by higher term premia and fiscal expansion in Europe. This has enhanced the carry profile and improved the valuation backdrop for fixed income. The outlook for credit remains broadly unchanged, with spreads showing remarkable resilience. The brief widening episode was quickly reversed, leaving spreads near historically tight levels and with limited scope for further compression. In equities, the regional picture is more mixed. The geopolitical shock of early 2026 triggered a notable de-rating, but this has since been largely retraced, as earnings estimates have remained broadly stable. This suggests that the repricing was driven more by uncertainty than by fundamentals. Japan and AI-related markets in EM delivered exceptional performance, while other markets, such as China and India, lagged, creating a more attractive entry points and supporting higher expected return potential going forward.

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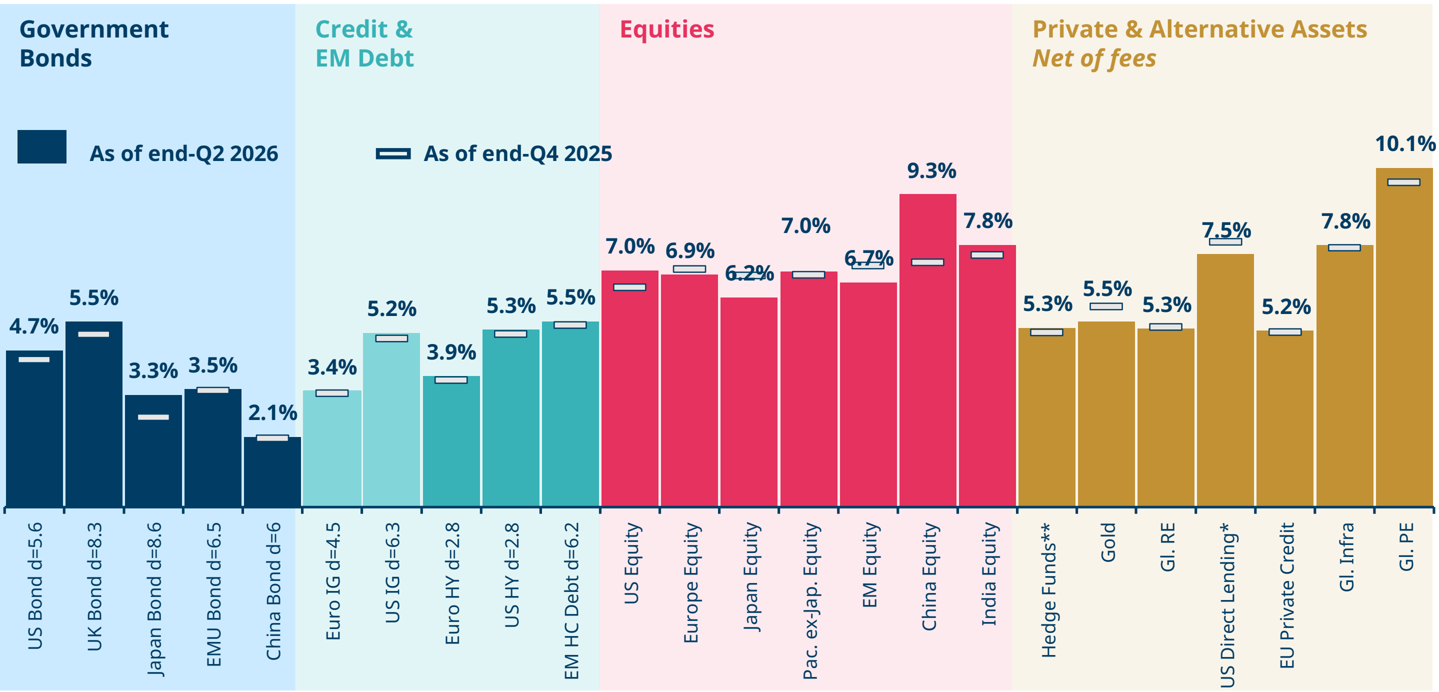
10-year expected returns in local currency, excluding alpha



Source: Amundi Asset Management CASM Model, Quant Solutions and Amundi Investment Institute teams. The "d=" in bond asset classes indicates the duration of the index. *US Direct Lending is considering leverage on the fund. ** Hedge Funds refer to Fund of Hedge Funds. Forecast returns are not necessarily indicative of future performance, which could differ substantially. Full source on page 6.

Adding the risk dimension

UK and US government bonds lead expected returns within the sovereign bond universe, with the UK bond index benefiting from higher duration exposure. Euro area and Japanese government bonds are now closely aligned in expected returns, while Chinese government bonds continue to lag.

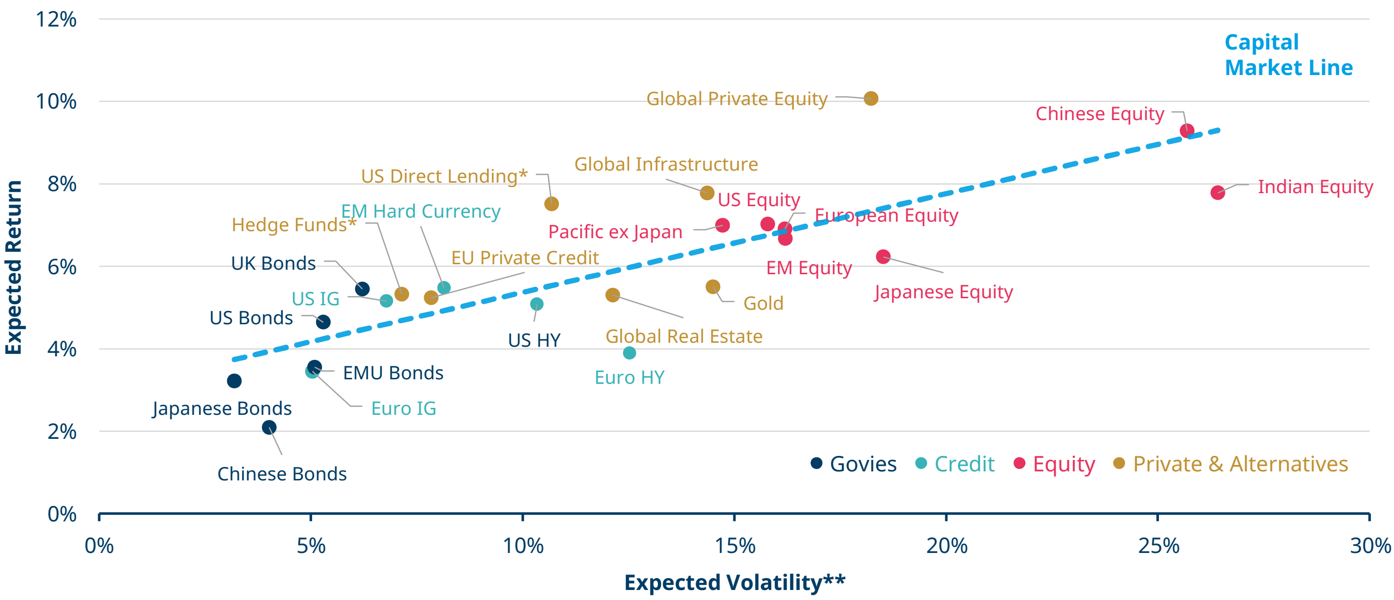
Within credit, high-grade forecasts still point to an average premium over government bonds, although this has compressed. In the euro IG segment, expected returns are broadly in line with local government bonds, reflecting tight corporate spreads and the relatively high risk embedded in sovereign indices. The appeal of high-yield credit remains limited, as the additional return is modest relative to risk, arguing for selectivity rather than broad exposure.

Equity expected returns over the next ten years are more dispersed than before, broadly ranging between 6% and 9%. The US and India are expected to deliver around 8%, while China is forecast to return above 9%, supported by more attractive valuations. Hedge funds continue to act as effective diversifiers at the portfolio level. Private debt offers attractive risk-adjusted returns and remains a compelling alternative to liquid credit with EU private credit positioned as a more defensive profile than US direct lending, which also includes leverage at fund level. Private equity is expected to generate double-digit returns, although slower capital distributions remain a constraint. Real estate expectations are more subdued, reflecting higher interest rates and valuation pressure, particularly in the US.

From a strategic asset allocation perspective, fixed income continues to offer meaningful carry and serve as an anchor for portfolio income. In equities, European and emerging market stocks offer return potential slightly below that of the US in local currency terms. However, FX effects are highly material. Once currency is considered, the ranking changes significantly, reinforcing the relative attractiveness of Europe versus the US and emerging markets versus developed markets in both euro and US dollar terms. Alternatives continue to offer the strongest absolute return potential, with private equity, infrastructure and direct lending expected to deliver a premium over liquid assets with a similar risk profile, largely reflecting their illiquidity.

"Higher yields have made bonds more appealing. Among higher-return assets, Chinese and Indian equities, as well as private equity stand out, albeit with higher volatility. Diversification remains essential, with gold, hedge funds and private debt playing a key role at the mid-risk level."

10-year expected returns vs expected volatility in local currency, excluding idiosyncratic alpha



Source: Amundi CASM Model, the starting date is 30/06/2026, returns are nominal and expressed in local currency, except for EM HC Debt, Global Infrastructure and Hedge Funds which are in USD. Full source on page 6. *US Direct Lending is considering leverage on the fund. Hedge Funds refers to Fund of Hedge Funds. **Expected volatility for alternative assets is derived from unsmoothed return series. Hence, this measure of volatility will be different from the one obtained from realised IRR. The forecast returns are not necessarily indicative of future performance, which could differ substantially. Private and alternative asset assumptions are net of fees.

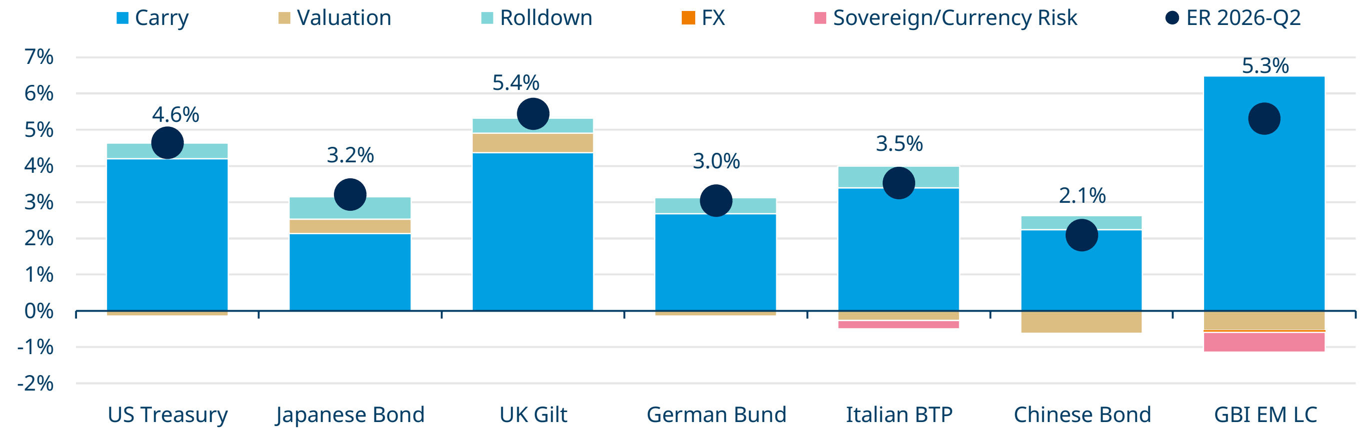
Asset class return attribution

The outlook for government bonds is supported by higher starting yields, which translate into stronger carry and more attractive valuations in the US, the UK and Japan.

The increase is around 30 bps in the US and the UK, while the move in Japanese bonds has been more pronounced. As yields have risen by more than 60 bps, valuations are gradually converging toward equilibrium levels. In the core and peripheral euro markets, changes remain limited and expectations are broadly unchanged.

Expected returns on EM local currency bonds are still primarily driven by attractive carry, although this is partly offset by relatively rich valuations.

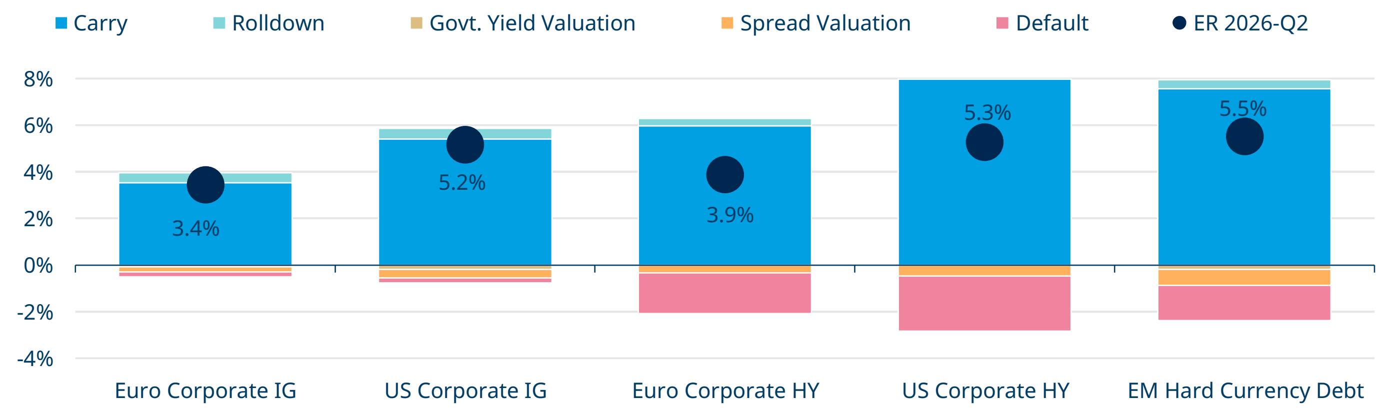
Expected returns decomposition for government bonds



Source: Amundi Asset Management CASM Model, Quant Solutions and Amundi Investment Institute teams. Full source on page 6.

Expected returns on spread-related assets have been revised slightly, by around 10–20 bps across the universe. With spreads broadly unchanged, the adjustment to expectations for US credit bonds mainly reflects more attractive government bond valuations. We also expect a modest upgrade in euro corporate bonds, supported by higher carry and favourable valuation effects in government yields. For emerging market hard currency debt, we anticipate improved expected returns, as support from government bond valuations is only partly offset by lower carry and less favourable spread valuations.

Expected returns decomposition for credit and EM bonds



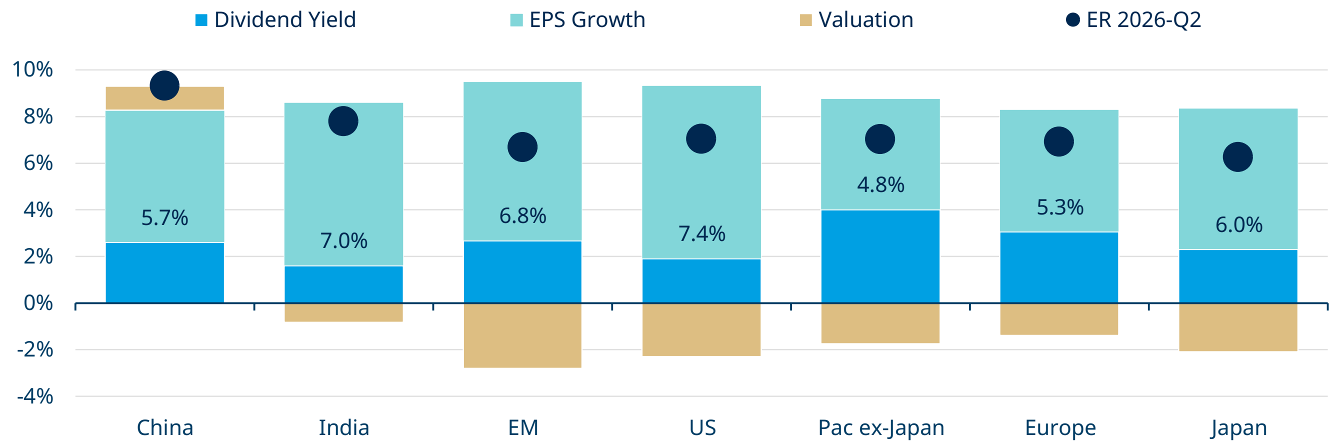
Source: Amundi Asset Management CASM Model, Quant Solutions and Amundi Investment Institute teams. Full source on page 6.

Equity expected returns have been revised upwards at the aggregate level, albeit only modestly. In developed markets (DM), aggregate expectations are supported by stronger fundamentals in the US, while emerging markets (EM) have deteriorated, as extraordinary performance in some markets has left valuations too expensive even at the aggregate level.

Within DM, the US has been upgraded and is now broadly aligned with Europe and Pacific ex Japan. Some preference for Europe over the US is confirmed when looking at expectations in EUR or USD terms. Japan's outlook is weaker due to valuations, even though the market has shown strong fundamentals in the current rally.

China's expectations have increased significantly, both in absolute and relative terms. India and China now stand well above the DM and EM aggregates.

Equity expected return decomposition



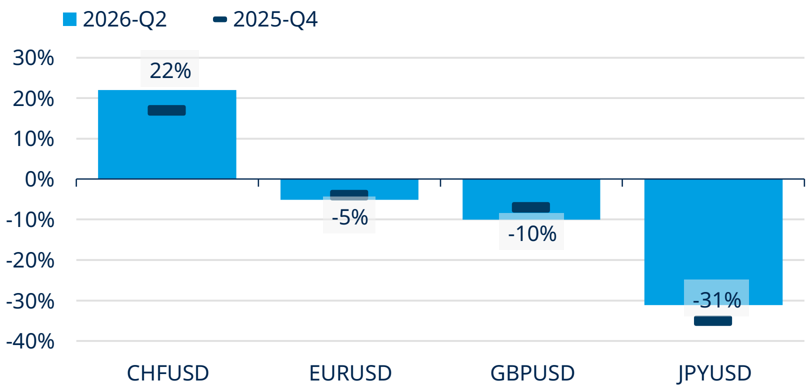
Source: Amundi Asset Management CASM Model, Quant Solutions and Amundi Investment Institute teams. Full source on page 6.

FX Valuations

Since December 2025, our long-term FX fair values have remained broadly unchanged. Changes in expected FX returns are driven mainly by spot moves since our last update. The Swiss franc remains the most overvalued G10 currency, while the Japanese yen is undervalued by more than 30%. The euro and the British pound also remain undervalued, though slightly less so than in December.

FX returns remain important when assessing foreign assets, as deviations can affect relative asset preferences.

FX rates over-/under-valuation vs long-term fair value



Source: Amundi Asset Management CASM Model, Quant Solutions and Amundi Investment Institute teams. Full source on page 6.

Methodological Notes: attribution

Fixed income asset expected return is broken down into: Carry: proxied by the par government or credit yield; Rolldown, the effect on bond prices generated by the passage of time; Valuation: the effect on bond prices generated by movements in government yields and spreads; Default: assumption on the loss from a credit event. Other factors may include residual effects due to non-linear components and simulation effects. Sovereign/Currency Risk: impact for being exposed to sovereign and currency risk; FX: performance associated with the FX exposure versus the USD. Equity asset expected return is broken down into: Dividend Yield; EPS Growth: includes net dilution (provision for share repurchase programmes and the effect of new share issuance); and Valuations: the effect of price multiples converging to equilibrium.

Asset class return forecasts

In the following table, we present our annualised return forecasts across different asset classes, calculated as the average of simulated returns over two forward-looking horizons (five and ten years). We also report historical figures for annualised returns and volatility, calculated over the past 20 years – a period that includes two major crises (the GFC and Covid-19).

		Duration	Average Annualised GEOMETRIC		Average Annualised ARITHMETIC	10-year SIMULATED Volatility	10-year Simulated CVaR 99%	2006-2026 Historical Returns (annualised)	2006-2026 Historical Volatility (annualised)
Assets in local currency	**Reference Index**	**Average next 10 years**	**5-year Expected Returns**	**10-year Expected Returns**	**10-year Expected Returns**				
Cash									
Euro Cash	JPCAEU3M Index	0.2	2.0%	1.9%	1.9%	1.0%	2.3%	1.4%	0.9%
US Cash	JPCAUS3M Index	0.2	3.2%	3.3%	3.2%	1.2%	2.2%	2.2%	1.1%
Government Bonds									
US Bond	JPMTUS Index	5.6	4.2%	4.6%	4.7%	5.3%	12.6%	3.0%	5.5%
UK Bond		7.9	5.5%	5.4%	5.5%	6.2%	11.7%	2.7%	7.9%
Japan Bond	JPMTJPN Index	8.1	3.8%	3.2%	3.3%	3.2%	8.3%	0.6%	2.9%
EMU Bond – Core	JPMTWG index	6.6	3.1%	3.0%	3.1%	4.6%	10.2%	2.0%	5.1%
EMU Bond - Semi Core (France)	JPMTEUFR Index	6.7	4.1%	3.8%	3.9%	4.8%	9.7%	2.4%	5.4%
Italy Bond	JPMTIT index	6.1	3.5%	3.5%	3.8%	7.6%	14.5%	3.7%	6.6%
Spain Bond	JPMTSP Index	6.4	3.4%	3.5%	3.7%	6.5%	12.3%	3.2%	5.8%
EMU Bond All Maturity	JPMGEMUI Index	6.5	3.6%	3.5%	3.7%	5.1%	9.9%	2.6%	5.1%
Barclays Global Treasury	BTSYTRUH Index	6.3	3.6%	3.8%	3.9%	3.7%	7.4%	3.2%	3.9%
Credit Investment Grade									
Euro Corporate IG	ER00 index	4.5	3.4%	3.4%	3.5%	5.0%	8.2%	2.9%	4.6%
US Corporate IG	C0A0 index	6.3	4.5%	5.2%	5.3%	6.8%	12.8%	4.4%	6.6%
Barclays Euro Aggregate	LBEATREU Index	6.1	3.6%	3.5%	3.6%	4.8%	9.0%	2.6%	4.5%
Barclays US Aggregate	LBUSTRUU Index	5.8	4.3%	4.8%	4.9%	5.1%	11.4%	3.3%	4.4%
Barclays Global Aggregate	LEGATRUH Index	6.1	4.0%	4.3%	4.3%	4.2%	8.5%	3.5%	3.7%
Credit High Yield									
Euro Corporate HY	HE00 index	2.9	3.6%	3.9%	4.6%	12.5%	20.9%	5.7%	12.7%
US Corporate HY	H0A0 index	2.9	4.4%	5.1%	5.5%	10.3%	16.7%	6.6%	10.4%
Emerging Market Debt									
EM Hard Currency Debt*	JPEIDIVR Index	5.9	4.6%	5.5%	5.7%	8.1%	17.0%	5.8%	9.2%
EM-Global Diversified**	JGENVUUG Index	5.4	5.3%	5.3%	5.8%	10.3%	22.2%	4.2%	11.6%
GBI-EM China LOC	JGENCNTL Index	6.1	1.4%	2.1%	2.2%	4.0%	11.8%	na	na
GBI-EM India LOC	JGENINTL index	6.1	7.1%	6.7%	6.9%	5.7%	8.5%	na	na
Equities									
US Equity	NDDLUS Index		7.3%	7.0%	8.0%	15.8%	34.2%	10.8%	16.6%
Europe Equity	NDDLE15 index		7.9%	6.9%	7.9%	16.2%	36.7%	6.3%	15.0%
Euro zone Equity	NDDLEMU Index		7.9%	6.7%	8.0%	17.8%	40.2%	5.9%	18.0%
UK Equity	NDDLUK Index		7.8%	7.2%	7.8%	13.3%	29.5%	6.8%	13.4%
Japan Equity	NDDLJN Index		7.8%	6.2%	7.7%	18.5%	38.9%	6.7%	19.2%
Pacific ex Japan Equity	NDDLPXJ Index		7.8%	7.0%	7.8%	14.7%	30.7%	6.6%	15.0%
Emerging Markets Equity	NDLEEGF index		9.6%	6.7%	7.7%	16.2%	34.6%	8.7%	17.2%
China Equity	NDELCHF Index		10.0%	9.3%	11.9%	25.7%	47.3%	5.9%	25.7%
India Equity	NDELSIA index		10.5%	7.8%	10.6%	26.4%	62.0%	11.3%	22.6%
World Equity	NDDLWI index		7.5%	7.0%	7.9%	15.4%	33.9%	8.9%	15.6%
AC World Equity	NDLEACWF Index		7.8%	7.0%	7.9%	15.2%	33.5%	8.9%	15.5%
Private and Alternative assets***									
Gold	XAU BGN Curncy		6.5%	5.5%	6.4%	14.5%	36.9%	9.8%	15.2%
Global Real Estate				5.3%	5.9%	12.1%	40.3%		
Global Private Equity				10.1%	11.2%	18.2%	45.6%		
Global Infrastructure				7.8%	8.5%	14.4%	33.0%		
Global Private Debt****				7.3%	7.7%	10.6%	32.1%		
Hedge Funds				5.3%	5.5%	7.1%	18.5%		

** Hard currency USD, China bond starting date is the beginning of 2019. ** USD unhedged, including the USD currency expectation towards EM currencies. ***Historical figures on private and alternatives are not available, as our models refer to un-smoothed data if necessary. ****Global private debt blends Euro private credit and US direct lending.*
Source: Amundi Asset Management CASM Model, Quant Solutions and Amundi Investment Institute teams. Full source on page 5.

Cascade Asset Simulation Model (CASM)

The medium- to long-term return forecast report is intended to guide investor expectations. The ten-year time horizon is deemed to be appropriate for long-term trend factors to reasonably play out, and therefore for market returns to reflect this information accurately.

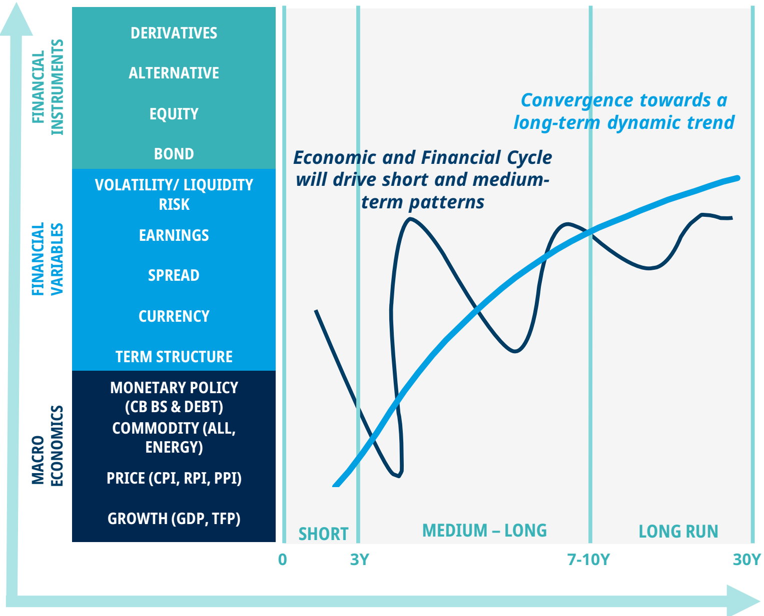
Cascade Asset Simulation Model (CASM) is a platform developed by Amundi in collaboration with the University of Cambridge. CASM combines our short-term macro-financial outlook with medium-term dynamics, extending into a long-term equilibrium. It aims to simulate forward-looking returns for different asset classes over multiple horizons.

CASM generates asset price scenarios and the underlying economic and financial factors that determine Amundi's expected returns over the relevant time horizons. It is a valuable tool for strategic asset allocation and asset-liability management analysis. We estimate model parameters regularly to incorporate new market data and updates to our short-term outlook. The calibration process, which ensures that the models reflect our view of economic and financial market trends, is a collaborative process between several teams at Amundi.

We reach a consensus on the short- to medium-term outlooks for macro and financial variables for each region under consideration (the US, Eurozone Core and Periphery, UK, Japan, China, India and EM). The models are calibrated to align with these outlooks and with long-run estimates. At each stage of the process, results are analysed against stylised facts and checked for consistency.

Asset class returns are generated using Monte Carlo simulation. The stochastic generation of risk factors and price scenarios allows us to analyse a wide range of possible outcomes and assess the uncertainty surrounding them. We can adjust the starting assumptions and observe the impact on potential future asset prices. The CASM platform covers macro and financial variables for major regions, namely the US, the UK, the Eurozone, Japan, China, India and Emerging Markets as an aggregate.

Cascade Asset Simulation Model (CASM) is a platform developed by Amundi used to simulate forward-looking returns and derive expected returns. We distinguish between macro-economic, financial and pricing models as described in the following chart:



The architecture of CASM can be described in two dimensions. The **first dimension** is a "cascade" of models. Asset and liability price models are made up of market risk factor models. Market risk factor models are made up of macroeconomic models. Initially proposed by Wilkie (1984) and further developed by Dempster et al. (2009), this cascade structure is at the root of the platform's capability to model linear and non-linear relationships between risk factors, asset prices and financial instruments. The **second dimension** is a representation of the future evolution of the aforementioned "cascade" effect. The unique formulation allows us to simulate asset price scenarios that are coherent with the underlying risk factor models. In the short term, CASM blends econometric models and quantitative short-term outlooks from in-house practitioners. In the long term, we assume the market variables are subject to a mean-reverting process, defined formally through structural break analysis and general equilibrium models. The short term evolves into a long-run state through the medium-term dynamic driven by business cycle variables.

Source: Amundi Asset Management – CASM model.

Sources

Sources of CMA: Amundi Asset Management CASM Model, Amundi Asset Management Quant Solutions and Amundi Investment Institute Teams. Macro figures as of the last release. The starting simulation date is 30 June 2026. Equity returns based on MSCI indices. Reference durations are average figures. Returns on credit assets are comprehensive of default losses. If not otherwise specified, expected returns are geometric annualised average total returns at the specific horizon. EM debt HC, EM-GBI, global infrastructure and hedge funds are in USD, all other indices are in local currency. Returns are nominal and gross of fees, except private and alternative assets which are net of management and admin fees. US direct lending considers leverage on the fund. Real estate refers to all property unlevered real estate. Hedge Funds refer to fund of Hedge funds. The expected returns consider the market beta and the alternative assets risk premium. The alpha return component generated by portfolio management, strategy selection or specific value creation programmes, which can be significant above all for private and alternative assets, is not considered in any form.

Expected returns are calculated using Amundi central scenario assumptions, which include climate transition. Forecast and fair values up to a 3-year horizon are provided by the Amundi Investment Institute Research team (macro, yields, spread and equity). Forecasts for annualised returns are based upon estimates and reflect subjective judgments and assumptions.

These results were achieved by means of a mathematical formula and do not reflect the effect of unforeseen economic and market factors on decision-making. The forecast returns are not necessarily indicative of future performance.

The arithmetic average returns are derived using the price generated by our simulation engine. By definition, the arithmetic mean is always greater than or equal to the geometric mean. In particular, the higher volatility of returns and higher frequency of returns and/or a longer time horizon will increase the difference between the two measures. Simulated volatilities are calculated on simulated prices over a 10-year horizon. Simulated volatility for private and alternative assets is derived from unsmoothed return series. Hence, this measure of volatility will be different from the one obtained from realised IRR.

Data sources: Bloomberg, Cambridge Associates, Global Financial Data. Edhec Infra, MSCI and MSCI Burgiss, Pitchbook, Preqin.

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Trust must be earned

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In an increasingly complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella; the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

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IMPORTANT INFORMATION

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